



Financial Statements

June 30, 2023

Independent School District No. 717

Jordan, Minnesota

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Independent School District No. 717
Jordan, Minnesota
List of Elected School Officials (Unaudited)
June 30, 2023

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
School Board		
Deb Pauly	Chairperson	2026
Sara Lehnén	Vice Chairperson	2024
Lauren Pedersen	Clerk	2024
Rob Langheim	Treasurer	2026
Corinne Hennen	Director	2026
Jenny Kusske	Director	2026
Molly Monyok	Director	2024
Administration		
Ranae Case Evenson	Superintendent	
Amy Hafemann	Finance Director	



Independent Auditor's Report

The School Board of
Independent School District No. 717
Jordan, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 ("the District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's total OPEB liability and related ratios, schedule of funding progress, schedule of employer's share of net pension liability, and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The general fund schedule of changes in UFARS fund balances; combining balance sheet – nonmajor governmental funds; combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds; the uniform financial accounting and reporting standards compliance table; and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund schedule of changes in UFARS fund balances; combining balance sheet – nonmajor governmental funds; combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds; the uniform financial accounting and reporting standards compliance table; and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of elected school officials and administration but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 27, 2023 on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Mankato, Minnesota
November 27, 2023

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

This section of Independent School District No. 717 – Jordan Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2022-2023 fiscal year include the following:

- Overall government-wide revenues were \$30,081,123 while overall expenses totaled \$23,209,399, resulting in an ending net deficit of \$1,958,231. Also included in the government-wide statements is a net \$18,456,057 of deferred outflows, deferred inflows, and liabilities related to OPEB and net pension liability. Excluding the reporting of those, ending net position would be \$16,497,826.
- The district's overall fund balance (includes all funds – 01, 02, 04, 06, 07, and 27) decreased by \$26,973,804. This is due as a result of the Refunding Bonds held in an Escrow account were used to pay off the 2014 Building Bonds.
- The District's net outstanding long-term liabilities decreased by \$30,926,545 or 48.71 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

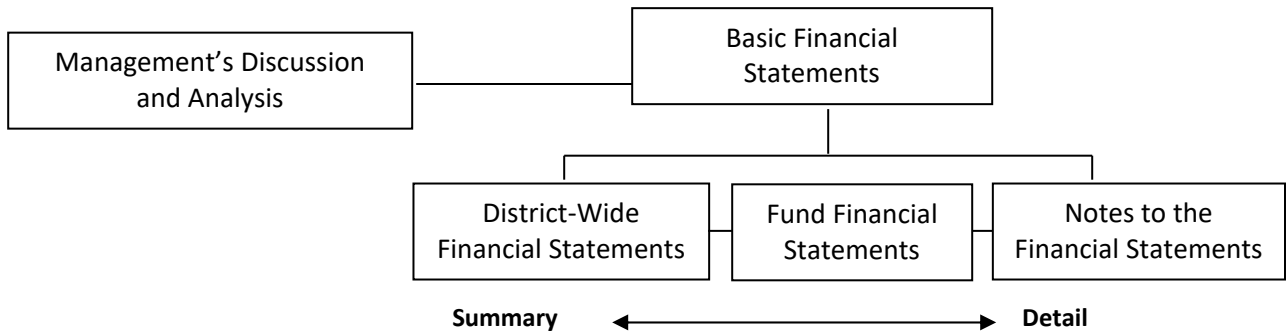
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and relate to one another.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.



Fund Financial Statements			
	District Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> •Statement of Net Position •Statement of Activities 	<ul style="list-style-type: none"> •Balance Sheet •Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> •Statement of fiduciary net position
Accounting basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows/inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets, deferred outflows/inflows of resources, and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements the District's activities are shown in one category:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of the activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District has three kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or difference) between them.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Internal Service funds – The District's internal service funds are used to report and account for the District's self-insured dental plan. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the internal service funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the custodial fund which is held for food shelf and backpack program. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
(DISTRICT-WIDE FINANCIAL STATEMENTS)**

Net Position

The District's net deficit was \$1,958,231 on June 30, 2023. This represents an increase when compared to the \$8,829,955 deficit balance on June 30, 2022.

Statement of Net Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current assets	\$ 15,614,639	\$ 42,003,225
Capital assets	42,187,410	43,599,532
Total assets	57,802,049	85,602,757
Deferred Outflows of Resources	5,363,461	6,041,680
Liabilities		
Other liabilities	3,080,091	3,087,546
Long-term liabilities	51,920,312	75,546,617
Total liabilities	55,000,403	78,634,163
Deferred Inflows of Resources	10,123,338	21,840,229
Net Position (Deficit)		
Net investment in capital assets	10,778,234	8,761,763
Restricted for specific purposes	3,755,165	30,157,705
Unrestricted	(16,491,630)	(47,749,423)
Total net deficit	\$ (1,958,231)	\$ (8,829,955)

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Statement of Activities
Years Ended June 30, 2023 and 2022

	2023	2022
Revenues		
Program revenues		
Charges for service	\$ 2,457,127	\$ 1,975,909
Operating grants and contributions	5,542,279	5,538,243
Capital grants and contributions	328,073	291,151
General		
Property taxes	5,755,033	5,830,849
Aids and payments from state and other	14,877,569	15,559,946
Miscellaneous revenues	1,121,042	456,386
Total revenues	<u>30,081,123</u>	<u>29,652,484</u>
Expenses		
Administration	1,244,419	1,105,558
District support services	753,240	818,953
Regular instruction	6,597,932	10,074,232
Vocational instruction	428,775	385,642
Special education instruction	4,852,896	4,689,135
Community education and services	1,770,817	1,560,863
Instructional support services	872,897	1,096,176
Pupil support services	3,023,404	2,758,891
Sites and buildings	3,665,019	3,474,948
Fiscal and other fixed-cost programs	-	2,180,819
Total expenses	<u>23,209,399</u>	<u>28,145,217</u>
Change in Net Position	6,871,724	1,507,267
Net Deficit - Beginning	<u>(8,829,955)</u>	<u>(10,337,222)</u>
Net Deficit - Ending	<u>\$ (1,958,231)</u>	<u>\$ (8,829,955)</u>

Changes in Net Position. The District's total revenues were \$30,081,123 for the year ended June 30, 2023. Unallocated federal and state aid along with property taxes accounted for 68.59 percent of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 19.52 percent and the remaining revenue was from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$23,209,399. The District's expenses are predominantly related to student education and student educational support, 75.60 percent. The District's administrative activities accounted for 5.36 percent of the total costs. Total expenses were less than total revenues, reducing the net deficit \$6,871,724 from last year.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Local property taxes	\$ 2,584,526	\$ 2,521,423	\$ 63,103	2.50%
Other local and county sources	924,476	872,071	52,405	6.01%
State sources	18,455,130	17,734,325	720,805	4.06%
Federal sources	1,263,865	1,840,788	(576,923)	-31.34%
Interest earnings	151,994	6,944	145,050	2088.85%
Total General Fund revenues	<u>\$ 23,379,991</u>	<u>\$ 22,975,551</u>	<u>\$ 404,440</u>	1.76%

Total General Fund revenue increased by \$404,440 or 1.76% from the previous year.

Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The increase in revenue is attributed to the Capital Facilities Bond payoff in FY22 and putting those payment dollars back into the District's capital dollars. There was also an increase in State special education funding attributed to the DSIS Grant dollars received through that funding source. There was also a 2% increase in the State Aid formula bringing the amount from \$6,728/Adj ADM to \$6,863/Adj ADM, an increase of \$135/Adj ADM.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2023	2022		
Salaries and benefits	\$ 17,161,241	\$ 16,720,121	\$ 441,120	2.64%
Purchased services	4,189,589	3,864,968	324,621	8.40%
Supplies and materials	901,437	1,062,313	(160,876)	-15.14%
Capital expenditures	455,960	742,895	(286,935)	-38.62%
Other expenditures	362,807	199,894	162,913	81.50%
Total General Fund expenditures	<u>\$ 23,071,034</u>	<u>\$ 22,590,191</u>	<u>\$ 480,843</u>	2.13%

Total General Fund expenditures increased by \$480,843 or 2.13% from the previous year. The increase in expenditures is due to the salary and benefits increases that were negotiated prior to the last session of contracts negotiations. The purchases services increases were due to the addition of a School Resource Officer contracted from the City of Jordan, increase in utility costs, maintenance repairs needed on the District's buildings, and an increase in students being served elsewhere.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were \$48,441 *more than* budget due to slight increases in the General Fund not anticipated at the time of budgeting.
- Actual expenditures were \$95,766 *more than* budget due to higher increases in utility costs and maintenance repairs not anticipated at the time of budgeting.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Debt Service Fund

The Debt Service Fund revenues were \$3,563,421 and expenditures were \$31,753,188, thereby decreasing fund balance by \$28,189,767. The decrease is a result of several bonds called and paid off during the current year.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of \$100,566 for a year end fund balance of \$625,675. The fund balance of \$24,605 is accounted for in the Nonspendable Fund Balance (the cost of inventory on June 30, 2023). The food service restricted fund balance has a positive balance of \$601,070. This increase in overall food service fund balance was a result of the Food Service Fund receiving another round of "food chain assistance funds" from the USDA and also a major increase in the local dollars received from students needing to pay for breakfast and lunch in fiscal year 2023.

The Community Service Fund incurred an increase in the fund balance of \$4,403 for a year end fund balance of \$389,210. The increase in fund balance is due to an increase in programs being offered and number of participants along with an increase in CERC membership from prior years.

The Capital Projects Fund incurred an increase in the fund balance for a year end fund balance of \$815,996. This result is due primarily to issuing \$1,399,000 in General Obligation Tax Abatement Bonds, Series 2022A.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

By the end of fiscal year 2023, the District had invested \$68,679,854 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation/amortization expense for the year was \$2,170,467. More detailed information about capital assets can be found in the notes to the financial statements.

Capital Assets Governmental Activities
June 30, 2023 and 2022

	2023	2022
Land	\$ 1,896,117	\$ 1,896,117
Construction in progress	607,395	-
Buildings	60,609,689	60,593,749
Land improvements	2,864,886	2,864,886
Equipment	2,616,983	2,487,681
Right-to-use assets	84,784	84,784
Accumulated depreciation/amortization	(26,492,444)	(24,327,685)
Total capital assets	<u>\$ 42,187,410</u>	<u>\$ 43,599,532</u>

Long-Term Debt

At year-end the District had \$32,561,017 of long term debt consisting of bonds payable of \$31,189,000, bond premium of \$170,143, bond discount of \$64,800, certifications of participation payable \$875,000, leases payable of \$55,829, severance benefits payable of \$222,249 and compensated absences payable of \$113,596.

The District has \$17,394,491 in net pension liability at June 30, 2023.

The District has \$1,964,804 in total OPEB liability at June 30, 2023.

See notes to the financial statements for additional details on the District's long term debt.

**INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Factors Bearing on the District's Future:

- Enrollment continues to be an area of concern weighing on the District's financial future, and will continue to be monitored closely by the District's administration. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. As of November 1, 2023, the District's enrollment is 1,773 students being served in Grades K-12 and 116 students in preschool. Of the 1,773 students there are 18 students enrolled in the SW Metro Elevate Program (online learning). The District's enrollment remains steady but is monitored very closely.
- In fiscal year 2023, the District utilized funding through Abatement Bonds. The District was able to utilize this funding stream due to the high school building bond being paid off; so there was not a tax impact on the District taxpayers. With these dollars, the District was able to redo the CERC parking lot giving it an additional 68 parking spaces; as well as do much needed parking lot and sidewalk work at the high school.
- Also, on April 11, 2023, the District passed a \$34,990,000 Building Bond Referendum to do an addition and also renovations at the elementary school and also a secure entrance at the high school. This work will begin in the summer of 2024 and will hopefully finish by fall of 2025.
- Labor costs account for over 80% of the District expenses. As costs of benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment. The District monitors very closely what happens in the State's legislature. Fiscal year 2023 brought many changes and also "historic funding." What also came with the legislative session were many mandates associated with that funding, including numerous, partially funded and unfunded mandates with unknown long-term impact.

Contacting the District's Financial Management:

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, ISD No. 717, 500 Sunset Drive, Suite #1, Jordan, Minnesota, 55352.

Independent School District No. 717
Jordan, Minnesota
Statement of Net Position
June 30, 2023

Assets	
Cash and investments	\$ 10,268,515
Receivables	
Current property taxes	2,883,524
Delinquent property taxes	40,356
Accounts	52,027
Interest	30,550
Due from other governmental units	2,151,004
Inventories	24,605
Prepaid items	164,058
	<u>15,614,639</u>
Capital assets not being depreciated/amortized:	
Land	1,896,117
Construction in progress	607,395
Capital assets, net of accumulated depreciation/amortization:	
Land improvements	1,298,381
Buildings	37,361,657
Equipment	972,990
Right-of-use assets	50,870
Total capital assets	<u>42,187,410</u>
Total assets	<u>57,802,049</u>
Deferred Outflows of Resources	
Other postemployment benefits plan	138,095
Pension plans	5,225,366
Total deferred outflows of resources	<u>5,363,461</u>
Liabilities	
Salaries payable and payroll deductions	1,831,199
Accounts payable	773,163
Interest payable	296,657
Due to other governmental units	118,929
Unearned revenue	51,528
Claims incurred but not reported	8,615
Noncurrent liabilities:	
Due within one year - other than pensions and OPEB	2,652,903
Due in more than one year - other than pensions and OPEB	29,908,114
Due in more than one year - net pension liability	17,394,491
Due in more than one year - total other postemployment obligation	1,964,804
Total liabilities	<u>55,000,403</u>
Deferred Inflows of Resources	
Other postemployment benefits plan	677,319
Pension plans	3,782,904
Property taxes levied for subsequent year	5,663,115
Total deferred inflows of resources	<u>10,123,338</u>
Net Position (Deficit)	
Net investment in capital assets	10,778,234
Restricted	3,755,165
Unrestricted	(16,491,630)
Total net deficit	<u>\$ (1,958,231)</u>

Independent School District No. 717
Jordan, Minnesota
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Administration	\$ 1,244,419	\$ -	\$ 563,883	\$ -	\$ (680,536)
District support services	753,240	-	-	-	(753,240)
Regular instruction	6,597,932	428,732	1,161,887	288,698	(4,718,615)
Vocational instruction	428,775	-	13,798	-	(414,977)
Special education instruction	4,852,896	33,956	2,885,437	-	(1,933,503)
Community education and services	1,770,817	1,435,640	278,809	-	(56,368)
Instructional support services	872,897	-	-	-	(872,897)
Pupil support services	3,023,404	544,467	638,465	-	(1,840,472)
Sites and buildings	3,665,019	14,332	-	39,375	(3,611,312)
Total Governmental Activities	<u>\$ 23,209,399</u>	<u>\$ 2,457,127</u>	<u>\$ 5,542,279</u>	<u>\$ 328,073</u>	<u>(14,881,920)</u>
General Revenues					
Property taxes and other county sources					5,755,033
Federal aid					265,693
State aid not restricted to specific purposes					14,611,876
Interest earnings					638,599
Loss on sale of fixed assets					(21,359)
Miscellaneous					503,802
Total general revenues					<u>21,753,644</u>
Change in Net Deficit					6,871,724
Net Deficit - Beginning					<u>(8,829,955)</u>
Net Deficit - Ending					<u>\$ (1,958,231)</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 717
Jordan, Minnesota
Balance Sheet – Governmental Funds
June 30, 2023

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 5,553,153	\$ 2,238,532	\$ 2,401,637	\$ 10,193,322
Receivables				
Current property taxes	1,252,425	1,565,808	65,291	2,883,524
Delinquent property taxes	16,296	23,180	880	40,356
Accounts	14,429	-	37,598	52,027
Interest	21,549	-	9,001	30,550
Due from other Minnesota school districts	30,232	-	-	30,232
Due from Minnesota Department of Education	1,679,470	19,577	14,474	1,713,521
Due from federal through Minnesota Department of Education	397,876	-	6,875	404,751
Due from other governmental units	2,500	-	-	2,500
Inventories	-	-	24,605	24,605
Prepaid items	161,229	-	2,829	164,058
Total assets	\$ 9,129,159	\$ 3,847,097	\$ 2,563,190	\$ 15,539,446
Liabilities				
Salaries payable	\$ 1,034,392	\$ -	\$ 37,132	\$ 1,071,524
Accounts payable	264,387	-	508,776	773,163
Due to other Minnesota school districts	104,879	-	-	104,879
Due to other governmental units	13,187	-	863	14,050
Payroll deductions	757,999	-	1,676	759,675
Unearned revenue	5,775	-	45,753	51,528
Total liabilities	2,180,619	-	594,200	2,774,819
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	16,296	23,180	880	40,356
Property taxes levied for subsequent year	2,427,451	3,098,435	137,229	5,663,115
Total deferred inflows of resources	2,443,747	3,121,615	138,109	5,703,471
Fund Balances				
Nonspendable	161,229	-	27,434	188,663
Restricted	1,498,833	725,482	1,803,447	4,027,762
Unassigned	2,844,731	-	-	2,844,731
Total fund balances	4,504,793	725,482	1,830,881	7,061,156
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,129,159	\$ 3,847,097	\$ 2,563,190	\$ 15,539,446

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2023

Total Fund Balances for Governmental Funds	\$	7,061,156	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		42,187,410	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		40,356	
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(296,657)	
The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		66,578	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		1,442,462	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		(539,224)	
Noncurrent liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities - both current and noncurrent - are reported in the statement of net position. Balances at year-end are:			
Bonds Payable	\$	31,189,000	
Bond Premium		170,143	
Bond Discount		(64,800)	
Certificates of Participation Payable		875,000	
Lease Payable		55,829	
Severance Benefits Payable		222,249	
Compensated Absences Payable		113,596	
Net Pension Liability		17,394,491	
Total OPEB Obligation		1,964,804	
			(51,920,312)
Total Net Deficit for Governmental Activities	\$		(1,958,231)

Independent School District No. 717
Jordan, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	\$ 2,584,526	\$ 2,917,104	\$ 135,434	\$ 5,637,064
Other local and county sources	924,476	-	2,004,174	2,928,650
State sources	18,455,130	191,423	195,560	18,842,113
Federal sources	1,263,865	-	606,477	1,870,342
Interest earnings	151,994	454,894	69,320	676,208
Total revenues	23,379,991	3,563,421	3,010,965	29,954,377
Expenditures				
Administration	1,244,419	-	-	1,244,419
District support services	735,345	-	-	735,345
Regular instruction	10,644,719	-	-	10,644,719
Vocational instruction	429,728	-	-	429,728
Special education instruction	4,851,385	-	-	4,851,385
Community education and services	-	-	1,764,745	1,764,745
Instructional support services	857,962	-	-	857,962
Pupil support services	1,889,853	-	1,098,280	2,988,133
Sites and buildings	2,015,802	-	35,548	2,051,350
Fiscal and other fixed cost programs	125,396	-	-	125,396
Capital outlay	173,782	-	607,395	781,177
Debt service:				
Principal	56,314	29,720,000	2,714	29,779,028
Interest and fiscal charges	46,329	2,033,188	882	2,080,399
Total expenditures	23,071,034	31,753,188	3,509,564	58,333,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	308,957	(28,189,767)	(498,599)	(28,379,409)
Other Financing Sources				
Bonds issued	-	-	1,399,000	1,399,000
Insurance recovery proceeds	5,132	-	-	5,132
Sale of assets	1,473	-	-	1,473
Total other financing sources	6,605	-	1,399,000	1,405,605
Net Change in Fund Balances	315,562	(28,189,767)	900,401	(26,973,804)
Fund Balances - Beginning	4,189,231	28,915,249	930,480	34,034,960
Fund Balances - Ending	\$ 4,504,793	\$ 725,482	\$ 1,830,881	\$ 7,061,156

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

Total Net Change in Fund Balances for Governmental Funds \$ (26,973,804)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. In the current period those amounts are:

Capital outlay	781,177
Depreciation/amortization expense	(2,170,467)

In the statement of activities, only the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets less the accumulated depreciation. (22,832)

In governmental funds, issuance of long-term debt is reported as a source of financing. However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position. (1,399,000)

The governmental funds report severance and compensated absences costs as expenditures when paid, on the other hand, the statement of activities reports severance and compensated absences costs as expenditures as the employees earn the compensated absences. In the statement of net position, the payment of severance and compensated absences results in a reduction of the liability. 87,299

In governmental funds, OPEB liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB liability is based on the amount earned by the employees during the period. This amount is the net effect of these differences. 58,797

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense. 3,697,815

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. 2,459,218

The governmental funds report repayment of principal on long-term liabilities as expenditures. In the statement of net position, however, repayment of principal reduces the liability. 29,779,028

Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. 557,178

The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities. 13,935

Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as deferred inflows - delinquent taxes (not considered available revenues) in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied. 3,380

Change in Net Deficit of Governmental Activities	\$ 6,871,724
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Independent School District No. 717
Jordan, Minnesota
General Fund Budgetary Comparison Schedule
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Local property tax levies	\$ 2,636,102	\$ 2,636,102	\$ 2,584,526	\$ (51,576)
Other local and county sources	589,325	810,704	924,476	113,772
State sources	18,175,764	18,224,144	18,455,130	230,986
Federal sources	986,455	1,610,336	1,263,865	(346,471)
Interest earnings	1,300	50,264	151,994	101,730
Total revenues	22,388,946	23,331,550	23,379,991	48,441
Expenditures				
Administration	1,130,865	1,225,002	1,244,419	(19,417)
District support services	852,964	820,422	735,345	85,077
Regular instruction	10,046,799	10,548,791	10,704,971	(156,180)
Vocational instruction	393,679	421,883	429,728	(7,845)
Special education instruction	4,679,415	4,854,684	4,851,385	3,299
Instructional support services	819,972	871,572	857,962	13,610
Pupil support services	1,506,588	1,768,965	1,911,856	(142,891)
Sites and buildings	2,284,743	2,234,055	2,107,329	126,726
Fiscal and other fixed cost programs	124,812	124,812	125,396	(584)
Debt service				
Principal	62,100	62,100	56,314	5,786
Interest and fiscal charges	44,512	42,982	46,329	(3,347)
Total expenditures	21,946,449	22,975,268	23,071,034	(95,766)
Excess of Revenues Over Expenditures	442,497	356,282	308,957	(47,325)
Other Financing Sources				
Insurance recovery proceeds	-	5,132	5,132	-
Sale of assets	200	1,472	1,473	1
Total Other Financing Sources	200	6,604	6,605	1
Net Change in Fund Balance	\$ 442,697	\$ 362,886	315,562	\$ (47,324)
Fund Balance - Beginning			4,189,231	
Fund Balance - Ending			\$ 4,504,793	

Independent School District No. 717
Jordan, Minnesota
Statement of Net Position – Proprietary Fund
June 30, 2023

	Governmental Activities Internal Service Fund
Assets	
Cash and investments	<u>\$ 75,193</u>
Liabilities	
Claims incurred but not reported	<u> 8,615</u>
Net Position	
Unrestricted	<u><u>\$ 66,578</u></u>

Independent School District No. 717
Jordan, Minnesota
Statement of Changes in Net Position – Proprietary Fund
June 30, 2023

	Governmental Activities Internal Service Fund
	<hr/>
Additions	
Dental insurance premiums	\$ 137,828
Interest earnings	1,766
	<hr/>
Total additions	139,594
	<hr/>
Deductions	
Dental claims	108,938
Service fee	16,721
	<hr/>
Total deductions	125,659
	<hr/>
Net Change in Net Position	13,935
Net Position - Beginning	52,643
	<hr/>
Net Position - Ending	\$ 66,578
	<hr/> <hr/>

Independent School District No. 717
Jordan, Minnesota
Statement of Cash Flows – Proprietary Fund
June 30, 2023

	Governmental Activities Internal Service Fund
Operating Activities	
Receipts from participants	\$ 139,594
Payments of insurance claims and administration	(127,244)
	<u>12,350</u>
Net cash provided for operating activities	<u>12,350</u>
Cash and Investments, July 1, 2022	<u>62,843</u>
Cash and Investments, June 30, 2023	<u>\$ 75,193</u>
Reconciliation of Operating Income to Net Cash provided for Operating Activities	
Operating Income	\$ 13,935
Changes in assets and liabilities	
Claims incurred but not reported	(1,585)
	<u>\$ 12,350</u>

Independent School District No. 717
Jordan, Minnesota
Statement of Fiduciary Net Position
June 30, 2023

	<u>Custodial Fund</u>
Assets	
Cash and investments	<u>\$ 4,217</u>
Net Position	
Restricted	<u>\$ 4,217</u>

Independent School District No. 717
Jordan, Minnesota
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023

	Custodial Fund
Additions	
Gifts and bequests	\$ 16,761
Deductions	
Donations	14,290
Change in Net Position	2,471
Net Position - Beginning	1,746
Net Position - Ending	\$ 4,217

Note 1 - Summary of Significant Accounting Policies

The Independent School District No. 717 (the District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unearned revenue on its governmental fund financial statements and government wide financial statements when resources are received by the District before the revenue has been earned. The District records unavailable revenue on its governmental fund financial statements when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the unavailable revenue is removed from the financial statements and revenue it recognized.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund.
- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.
- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.
- *Capital projects fund* accounts for the activity of the building construction project.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured dental plan.
- *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.
- *Custodial fund* is used to account for the funds used food shelf and backpack program that lack the administrative involvement to be included in the general fund. These assets are used for third party authorized purposes and not to be used to support the District's own programs.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota state statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the District. Investments are reported at fair value, except for the Minnesota School District Liquid Asset Fund Plus (MSDLAF+) and MNTrust. Both are an external investment pool, which in accordance with GASB 79 are valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the MSDLAF+ Portfolio and MNTrust investments on an amortized cost basis to fair values determined on a market value basis at least monthly.

2. Receivables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2022 which are not payable until 2023 less amounts received before June 30, 2023. Delinquent taxes receivable represent levies collectible during 2022 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2022, but not payable until 2023 and are not expendable by the District until the 2023-2024 school year, adjusted for the property tax shift amount.

3. Inventories, Commodities, and Prepaid Items

All inventories are expended when consumed rather than when purchased and are valued at the lower of cost or market using the first in first out (FIFO) method. United States Department of Agriculture commodities received are recorded as revenue at the net realizable value of such commodities and included in the food service fund revenue and expenditures when received. Unused commodities at year end are included in inventories of food.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the District are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land.

Right-of-use leased assets are recognized at the least commencement date and represent the District's right to use an underlying asset for the lease term. Right-of-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-of-use assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – Substantially all full-time employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2023, unpaid vacation pay totaling \$113,596 is recorded in the financial statements.

Severance Benefits – Upon termination of employment, employees meeting years of service requirements are entitled to a payout of accumulated sick leave at various rates established in their employment contract. At June 30, 2023, a severance liability of \$222,249 is recorded for all eligible employees.

6. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Additional information can be found in Note 4.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

9. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

10. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

11. Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District approved a minimum unassigned general fund balance of 12 percent of the annual budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. A majority vote of the school board is required to commit a fund balance to a specific purpose. The school board may assign fund balances to be used for specific purposes. The school board has delegated this power to the Superintendent.

E. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

F. Property Tax Shift

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2023 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

G. Leases

Lessee: The District is a lessee for noncancellable leases of technology equipment. The District recognizes a lease liability and an intangible right-of-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease(s) and will remeasure the lease asset(s) and liability(ies) if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

H. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2023.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings, and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2023, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the School Board. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

B. Excess Expenditures over Appropriations

For the year ended June 30, 2023, expenditures exceeded appropriations in the general fund (the legal level of budgetary control) by \$95,766. These over expenditures were funded by greater than expected revenues and available fund balance.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk – The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023, the District had approximately \$681,000 in excess of FDIC limits.

2. Investments

As of June 30, 2023, the District had an investment in MSDLAF and MNTrust with an amortized cost of \$156,591 and \$8,003,238, respectively.

Custodial Credit Risk – Investments. The investments in the MSDLAF and MNTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds in the MSDLAF and MNTrust are invested in accordance with Minnesota Statutes Section 475.66. Each Minnesota school district owns a pro-rata share of each investment which is held in the name of the funds. The District has no investment policy that would further limit its investment choices. As of June 30, 2023, the District's MSDLAF and MNTrust accounts were rated AAAm and AAA, respectively, by Standard & Poor's.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are invested with MSDLAF and MNTrust.

The following table presents the District's deposit and investment balances at June 30, 2023:

Type	Total	Investment Maturities (in Years)	
		N/A	1 - 5
Cash and cash equivalents			
MN School District Liquid Asset Fund	\$ 156,591	\$ 156,591	\$ -
Deposits	1,106,661	1,106,661	-
Money Market	865,248	865,248	-
Investments			
Certificates of deposit	140,994	-	140,994
Mutual Funds	8,003,238	8,003,238	-
	<u>\$ 10,272,732</u>	<u>\$ 10,131,738</u>	<u>\$ 140,994</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash and investments are included on the basic financial statements as follows:

Cash and cash equivalents - Statement of Net Position	\$ 10,268,515
Cash and cash equivalents - Statement of Fiduciary Net Position	<u>4,217</u>
	<u><u>\$ 10,272,732</u></u>

B. Capital Assets

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Administration	\$ 17,895
Regular instruction	525,344
Special education instruction	1,510
Community education and services	2,476
Instructional support services	14,934
Pupil support services	35,270
Sites and buildings	<u>1,573,038</u>
Total depreciation/amortization expense	<u><u>\$ 2,170,467</u></u>

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 1,896,117	\$ -	\$ -	\$ 1,896,117
Construction in progress	<u>-</u>	<u>607,395</u>	<u>-</u>	<u>607,395</u>
Total Capital Assets, Not Being Depreciated/Amortized	<u>1,896,117</u>	<u>607,395</u>	<u>-</u>	<u>2,503,512</u>
Capital Assets, Being Depreciated/Amortized:				
Land improvements	2,864,886	-	-	2,864,886
Buildings	60,593,749	15,940	-	60,609,689
Equipment	2,487,681	157,842	28,540	2,616,983
Right-of-use assets	<u>84,784</u>	<u>-</u>	<u>-</u>	<u>84,784</u>
Total Capital Assets, Being Depreciated/Amortized	<u>66,031,100</u>	<u>173,782</u>	<u>28,540</u>	<u>66,176,342</u>
Less Accumulated Depreciation/Amortization for:				
Land improvements	1,446,239	120,266	-	1,566,505
Buildings	21,345,458	1,902,574	-	23,248,032
Equipment	1,519,031	130,670	5,708	1,643,993
Right-of-use assets	<u>16,957</u>	<u>16,957</u>	<u>-</u>	<u>33,914</u>
Total Accumulated Depreciation/Amortization	<u>24,327,685</u>	<u>2,170,467</u>	<u>5,708</u>	<u>26,492,444</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>41,703,415</u>	<u>(1,996,685)</u>	<u>22,832</u>	<u>39,683,898</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 43,599,532</u></u>	<u><u>\$ (1,389,290)</u></u>	<u><u>\$ 22,832</u></u>	<u><u>\$ 42,187,410</u></u>

C. Long-term Liabilities

1. Bonds

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund.

The District issued General Obligation Crossover Refunding Bond, Series 2016A, during the year ended June 30, 2017. The bond was issued to advance refund a portion of the outstanding General Obligation School Building Refunding Bond, Series 2014A. The District refunded the bond to reduce the total debt service payments by \$1,414,880 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,048,484.

The District issued General Obligation Crossover Refunding Bonds, Series 2017B, during the year ended June 30, 2018. These bonds were used to refund a portion of the 2028 maturity and the entire 2029 through 2032 maturities outstanding General Obligation School Building Refunding Bond, Series 2014 on the call date of February 1, 2023. The District refunded the bond to obtain an economic gain of \$615,235.

During the year ended June 30, 2021, the District issued \$10,075,000 in General Obligation Crossover Refunding Bonds, Series 2020A. These bonds were used to crossover refund the 2024 through 2028 maturities of the outstanding General Obligation School Building Refunding Bond, Series 2014, on the call date of February 1, 2023. The District refunded the bond to reduce the total debt service payments by obtain an economic gain of \$615,235.

During the year ended June 30, 2023, the District issued General Obligation Tax Abatement Bonds, Series 2022A, in the amount of \$1,399,000. Bond proceeds will be used to finance certain parking lot improvements at District facilities. The bonds bear an interest rate of 2.85% and call for semiannual interest payments commencing August 1, 2023, and annual principal payments commencing February 1, 2024.

General obligation bonds currently outstanding are as follows:

Bond Description	Final Maturities	Interest Rate	Principal Payments	Original Principal	Outstanding Balance
General Obligation Crossover Refunding Bonds of 2016A	2/1/2035	2.00% - 2.50%	\$95,000 - \$2,950,000	\$ 9,995,000	\$ 9,995,000
General Obligation Crossover Refunding Bonds of 2017B	2/1/2032	2.00% - 3.00%	\$100,000 - \$2,450,000	9,720,000	9,720,000
General Obligation Refunding Bonds of 2020A	2/1/2028	0.57% - 1.23%	\$1,990,000 - \$2,050,000	10,075,000	10,075,000
General Obligation Tax Abatement Bonds of 2022A	2/1/2028	2.50% - 3.00%	\$250,000 - \$325,000	1,399,000	1,399,000
				<u>\$ 31,189,000</u>	<u>\$ 31,189,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 2,459,000	\$ 2,031,257
2025	2,465,000	622,487
2026	2,489,000	607,130
2027	2,519,000	590,062
2028	2,552,000	568,912
2029-2033	12,880,000	2,155,222
2034-2035	5,825,000	435,125
Total	<u>\$ 31,189,000</u>	<u>\$ 7,010,195</u>

2. Certificates of Participation

The District issued certificates of participation in 2017 to provide funds for the purchase of land. The certificates are payable in installments through February 2037, at an interest rate ranging from 4.53 to 6.60 percent and payable in installments ranging from \$40,000 to \$85,000. Amounts are paid from the general fund. Annual debt service requirements to maturity for certificates of participation are as follows.

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 45,000	41,101
2025	50,000	39,220
2026	50,000	37,130
2027	50,000	35,040
2028	55,000	32,950
2029-2033	315,000	124,295
2034-2037	310,000	40,000
Total	<u>\$ 875,000</u>	<u>\$ 349,736</u>

3. Leases Payable

The District entered into a lease agreement as lessee for the use of technology equipment. As of June 30, 2023, the value of the lease liability was \$55,829. The District is required to make monthly principal and interest payments of \$1,647 through June 2026. The lease liability was valued using a discount rate of 6.2%. The total amount of right-of-use leased assets, and the related accumulated amortization on right-of-use leased assets was \$84,784 and \$33,914 as of June 30, 2023, respectively. Total interest expense for the lease for the year ended June 30, 2023 was \$4,835.

The future principal and interest lease payments as of June 30, 2023, were as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 15,877	\$ 3,883
2025	16,889	2,871
2026	17,967	1,794
2027	5,096	162
Total	<u>\$ 55,829</u>	<u>\$ 8,710</u>

4. Severance Benefits

Plan Description – The District compensates certain eligible employees for compensated absences like sick leave upon retirement. The severance plan is based on contractual agreements with the employees.

Teachers – For teachers reaching age 55 with 25 years of service the benefit is \$10 per hour of unused sick leave. Sick leave accrues at 72 hours per year up to 1,000 hours. The benefit is payable 50% at the time of retirement and the remaining 50% in January the following year.

Principals and Special Services Director – For principals and the special services director the benefit is \$175 per day of unused sick leave. Sick leave accrues at 12 days per year up to 125 days. The benefit is payable in one lump sum.

Food Service/Custodians – For food service custodians, the benefit is \$2.25 per hour of unused sick leave. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Unaffiliated Directors, Confidential Employees, District Office Administrative Assistant, and District Equity and Outreach Specialist – For these employees the benefit is based on years of service and the multiplier for each hour of unused sick leave ranges from \$2.00 to \$4.00. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Building Administrative Assistants – For these employees the benefit is based on years of service and the multiplier for each hour of unused sick leave ranges from \$2.00 to \$3.00. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

All Others – For these employees the benefit is based on years of service and the multiplier for each hour of unused sick leave ranges from \$2.00 to \$2.50. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

5. Compensated Absences

The District will make payments out of the General Fund and amounts consist of benefits as discussed in Note 1.

6. Changes in Long-Term liabilities

During the year ended June 30, 2023, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year
Bonds Payable					
General obligation bonds	\$ 59,510,000	\$ 1,399,000	\$ 29,720,000	\$ 31,189,000	\$ 2,459,000
Bond premium	2,635,841	-	2,465,698	170,143	17,014
Bond discount	(71,280)	-	(6,480)	(64,800)	(6,480)
Total bonds payable	62,074,561	1,399,000	32,179,218	31,294,343	2,469,534
Certificates of Participation Payable	920,000	-	45,000	875,000	45,000
Leases payable	69,857	-	14,028	55,829	15,877
Severance Benefits Payable	291,107	-	68,858	222,249	8,896
Compensated Absences Payable	132,037	253,280	271,721	113,596	113,596
	<u>\$ 63,487,562</u>	<u>\$ 1,652,280</u>	<u>\$ 32,578,825</u>	<u>\$ 32,561,017</u>	<u>\$ 2,652,903</u>

7. Legal Debt Margin

Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2022 Payable 2023 was \$1,548,195,700.

D. Fund Balances

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2023:

	General	Debt Service	Total Nonmajor Funds	Totals
Nonspendable				
Inventories	\$ -	\$ -	\$ 24,605	\$ 24,605
Prepaid items	161,229	-	2,829	164,058
Total nonspendable	161,229	-	27,434	188,663
Restricted				
Student activities	78,141	-	-	78,141
Scholarships	139,480	-	-	139,480
Staff development	26,421	-	-	26,421
Area learning center	134,839	-	-	134,839
Gifted and talented	58,242	-	-	58,242
Basic skills extended time	6,189	-	-	6,189
Safe schools	10,789	-	-	10,789
Long-term facilities maintenance	946,735	-	-	946,735
Medical assistance	97,997	-	-	97,997
Food service	-	-	601,070	601,070
Community education	-	-	13,783	13,783
Early childhood family education	-	-	86,755	86,755
School readiness	-	-	220,258	220,258
Community service	-	-	65,585	65,585
Capital projects	-	-	815,996	815,996
Debt service	-	725,482	-	725,482
Total restricted	1,498,833	725,482	1,803,447	4,027,762
Unassigned	2,844,731	-	-	2,844,731
Total fund balance	\$ 4,504,793	\$ 725,482	\$ 1,830,881	\$ 7,061,156

Note 4 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health, dental, and life insurance plans after retirement. Eligible employees include principals, teaching and learning director, special services director, teachers, and superintendent who have reached age 55 with three years of service, and all other employees who have reached age 55 with five years of service. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Medical coverage is administered by Blue Cross Blue Shield. The implicit rate subsidy is only until Medicare eligibility. Contract groups receive other post-retirement benefits as follows:

- *Principals*– These employees reaching age 55 with 10 years of service are allowed to access the subsidized medical insurance benefit. They receive one year of District paid single medical insurance for every 4 years of service up to a maximum of 6 years or Medicare eligibility, whichever is earlier.
- *Teachers* – Teachers reaching age 55 with 25 years of service hired before March 12, 2012, are allowed access to subsidized benefits of the medical, dental and life insurance plans. See benefit details below:
 - Medical –The benefit is the full single premium plus \$1,100 multiplied by 6 years or to Medicare eligibility, whichever is earlier. The benefit is payable in one lump sum at retirement to a VEBA account. Account credit can also be sued for spouse coverage.
 - Dental –The benefit is the full premium for single dental for 6 years or Medicare eligibility, whichever is earlier.
 - Life – The benefit is the full premium for a \$100,000 policy for 6 years or Medicare eligibility, whichever is earlier.

The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

The contract groups have access to other post-retirement benefits listed below:

- Medical – The blended medical premiums are \$744 for single and \$1,908 for family coverage.
- Dental – The dental premiums are \$36 for single and \$109 for family coverage.
- Life – The life premiums are \$0.12 per \$1,000.

The subsidized benefits available to certain contract groups are discussed above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>242</u>
	<u><u>251</u></u>

D. Total OPEB Liability

The District's total OPEB liability of \$1,964,804 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2022.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50 percent
Salary increases	Service graded table, based on years of service
Discount rate	3.80 percent
Health care cost trend rate	6.50 percent at July 1, 2022, grading to 5.00 percent over the next 6 years, then to 4.00 percent over the next 48 years
Retiree plan participation	
Future retirees electing coverage:	
Pre-65 subsidy available	100%
Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	
Subsidy available	10%
Subsidy not available	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022 valuation were based on inputs from a variety of published sources of historical and projected future financial data.

The following change in plan provisions occurred for the year ending June 30, 2023:

- The subsidized medical benefit for the Director of Teaching and Learning and Special Services Director was removed.

The following change in assumptions was made for the year ending June 30, 2023:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount – Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was change from 2.10% to 3.80%.

F. Changes in Total OPEB Liability

Balance at July 1, 2022	<u>\$ 2,442,020</u>
Changes from the Prior Year:	
Service Cost	132,209
Interest Cost	52,742
Assumption Changes	(161,041)
Plan Changes	(36,024)
Differences between Expected and	
Actual Experience	(339,047)
Benefit Payments	<u>(126,055)</u>
Net Change	<u>(477,216)</u>
Balance at June 30, 2023	<u><u>\$ 1,964,804</u></u>

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.80%	3.80%	4.80%
Total OPEB Liability	\$ 2,082,978	\$ 1,964,804	\$ 1,847,684

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical Trend Rate	5.50%, grading to 4.00% over 6 years, then to 3.00% over the next 48 years	6.50%, grading to 5.00% over 6 years, then to 4.00% over the next 48 years	7.50%, grading to 6.00% over 6 years, then to 5.00% over the next 48 years
Total OPEB Liability	\$ 1,765,461	\$ 1,964,804	\$ 2,195,582

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$26,471. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ -	\$ 520,206
Changes in actuarial assumptions	52,827	157,113
District's contributions subsequent to measurement date	85,268	-
Total	<u>\$ 138,095</u>	<u>\$ 677,319</u>

The \$85,268 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2024	\$ (122,456)
2025	(122,457)
2026	(116,005)
2027	(125,399)
2028	(66,739)
Thereafter	(71,436)

Note 5 - Defined Benefit Pension Plans– Statewide

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2023, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	\$ 1,174,576	\$ 3,421,454	\$ 211,735	\$ 528,814
TRA	4,050,790	13,973,037	3,571,169	2,060,580
Total all plans	<u>\$ 5,225,366</u>	<u>\$ 17,394,491</u>	<u>\$ 3,782,904</u>	<u>\$ 2,589,394</u>

Disclosures relating to these plans are as follows:

1. Public Employees Retirement Association (PERA)

A. Plan Description

The District participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan covers certain full time and part-time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contribution Rate

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2023, were \$259,323. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2023, the District reported a liability of \$3,421,454 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$100,382.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0432 percent at the end of the measurement period and 0.0433 percent for the beginning of the period.

District's proportionate share of net pension liability	<u>\$ 3,421,454</u>
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>100,382</u>
	<u><u>\$ 3,521,836</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$528,814 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized \$14,999 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At June 30, 2023, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 28,579	\$ 37,027
Changes in actuarial assumptions	776,075	15,623
Net collective difference between projected and actual investment earnings	71,898	-
Change in proportion	38,701	159,085
Contributions paid to PERA subsequent to the measurement date	<u>259,323</u>	<u>-</u>
Total	<u><u>\$ 1,174,576</u></u>	<u><u>\$ 211,735</u></u>

The \$259,323 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2024	\$ 264,346
2025	240,863
2026	(111,111)
2027	309,420

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	<u>100.0%</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the plan it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates			
	General Employees Fund		
1% Lower	5.50%	\$	5,404,366
Current Discount Rate	6.50%	\$	3,421,454
1% Higher	7.50%	\$	1,795,160

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

2. Teachers Retirement Association (TRA)

A. Plan Descriptions

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by Minnesota State.

B. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

- a.) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b.) 3 percent per year early retirement reduction factor for all years under normal retirement age.
- c.) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2021, June 30, 2022, and June 30, 2023, were:

	June 30, 2021		June 30, 2022		June 30, 2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	12.31%	11.00%	12.34%	11.00%	12.55%
Coordinated	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

The following is a reconciliation of employer contributions in TRA's fiscal year 2022 Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's Comprehensive Annual Financial Report, Statement of Changes in Fiduciary Net Position	<i>in thousands</i> \$ 482,679
Add employer contributions not related to future contribution efforts	(2,178)
Deduct TRA's contributions not included in allocation	<u>(572)</u>
Total employer contributions	479,929
Total non-employer contributions	<u>35,590</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$ 515,519</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

D. Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2022
Measurement Date	June 30, 2022
Experience Study	June 28, 2019 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
 Total	 100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The *Difference between Expected and Actual Experience*, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation

- None.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2023, the District reported a liability of \$13,973,037 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1745 percent at the end of the measurement period and 0.1775 percent for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the district as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the district were as follows:

District's proportionate share of net pension liability	<u>\$ 13,973,037</u>
State's proportionate share of the net pension liability associated with the district	<u>\$ 1,035,999</u>

For the year ended June 30, 2023, the District recognized pension expense of \$2,060,580. It also recognized \$142,453 as a decrease to pension expense for the support provided by direct aid.

At June 30, 2023, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 209,097	\$ 123,889
Changes in actuarial assumptions	2,277,006	2,945,648
Difference between projected and actual investment earnings	315,544	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	304,441	501,632
District's contributions to TRA subsequent to the measurement date	<u>944,702</u>	<u>-</u>
Total	<u>\$ 4,050,790</u>	<u>\$ 3,571,169</u>

The \$944,702 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ (2,644,618)
2025	361,945
2026	117,627
2027	1,742,092
2028	(42,127)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as well what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 22,027,732	\$ 13,973,037	\$ 7,370,699

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, and St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

Note 6 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1, thru August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made monthly and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

Note 7 - 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2023, 2022, and 2021, were \$146,588, \$147,719, and \$154,963, respectively. The related employee contributions were \$411,095, \$355,254, and \$342,398, for the years ended June 30, 2023, 2022, and 2021, respectively.

Note 8 - Other Information

A. Contingent Liabilities

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

B. Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2023, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

C. Subsequent Event

Subsequent to year end, the District issued General Obligation School Building Bonds, Series 2023A, in the amount of \$34,990,000. Bond proceeds will be used to finance certain building construction projects. The bonds bear an interest rate ranging from 4.0% to 5.0% and call for semiannual interest payments commencing August 1, 2024, and annual principal payments commencing February 1, 2026.

D. Construction Commitment

The District has entered into contracts for building construction projects at the high school and elementary school. The contracts had a total value of approximately \$34,000,000. As of June 30, 2023, the District had costs into the project in the amount of approximately \$310,000 and a remaining construction commitment of \$33,690,000 with an anticipated completion date in August 2025.

The District also has entered into contracts for a parking lot construction project. The contract had a total value of approximately \$589,000, with roughly \$297,000 in completed costs as of June 30, 2023. This results in a remaining construction commitment at year-end of \$292,000. The project was completed in August 2023.



Required Supplementary Information
June 30, 2023

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	2023	2022	2021	2020	2019	2018
Service cost	\$ 132,209	\$ 184,017	\$ 170,534	\$ 161,405	\$ 147,051	\$ 143,627
Interest	52,742	56,644	79,116	80,225	74,108	70,804
Assumption changes	(161,041)	32,951	(33,388)	65,820	3,804	-
Plan changes	(36,024)	16,727	-	-	-	-
Differences between expected and actual experience	(339,047)	-	(377,315)	-	(48,969)	-
Benefit payments	(126,055)	(48,613)	(40,176)	(72,709)	(82,909)	(157,845)
Net change in total OPEB liability	(477,216)	241,726	(201,229)	234,741	93,085	56,586
Total OPEB liability - beginning	2,442,020	2,200,294	2,401,523	2,166,782	2,073,697	2,017,111
Total OPEB liability - ending	<u>\$ 1,964,804</u>	<u>\$ 2,442,020</u>	<u>\$ 2,200,294</u>	<u>\$ 2,401,523</u>	<u>\$ 2,166,782</u>	<u>\$ 2,073,697</u>
Covered payroll	\$ 13,566,531	\$ 12,887,110	\$ 12,511,757	\$ 12,696,494	\$ 12,326,693	\$ 10,480,104
Total OPEB liability as a percentage of covered payroll	14.48%	18.95%	17.59%	18.91%	17.58%	19.79%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefit Changes:

- None

Assumption Changes:

- None

Schedule of Funding Progress – Severance Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2022	\$ -	\$ 222,249	\$ 222,249	-	\$ 13,343,860	1.67%
7/1/2020	-	258,349	258,349	-	12,879,078	2.01%
7/1/2018	-	219,755	219,755	-	12,085,133	1.82%
7/1/2016	-	158,311	158,311	-	10,061,060	1.57%

Note to the Schedule of Funding Progress

Since the last actuarial valuation as of July 1, 2020, the following actuarial assumptions have been changed:

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.40% to 3.80%.

Since the last actuarial valuation as of July 1, 2020, the following plan provisions have changed:

- The Director of Teaching and Learning, Special Services Director Activities Director, Community Education/Recreation Director, Early Learning Services Director, Facilities Director, Nutrition Services Director, and Technology Director are on the Unaffiliated Director contract and now get the scaled sick leave payout based on years of service with \$2.00 per hour at 10 years of service, \$2.25 per hour at 15 years of service and \$4.00 per hour at 20 years of service for their severance benefit (GASB 16).
- The severance benefit (GASB 16) for Principals was increased from \$150 per unused day of sick leave to \$175 per unused day of sick leave.
- The Early Learning Services Paraprofessionals severance benefit (GASB 16) is in line with the Paraprofessional contract and get the scaled sick leave payout based on years of service with \$2.00 per hour at 10 years of service, \$2.25 per hour at 15 years of service and \$2.50 per hour at 20 years of service.
- Building Administrative Assistants (Secretaries) severance benefit (GASB 16) was increased from \$2.50 per hour of unused sick leave at 20 years of service to \$3.00 per hour of unused sick leave at 20 years of service. The multipliers at 10 and 15 years of service did not change.
- CERC and Enrichment Coordinator, Special Services Admin Specialist, and Technology Coordinator are on the Confidential Employee contract and their severance benefit (GASB 16) was increased from \$2.50 per hour of unused sick leave at 20 years of service to \$4.00 per hour of unused sick leave at 20 years of service. The multipliers at 10 and 15 years of service did not change.

Independent School District No. 717
Jordan, Minnesota
Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2023

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years ***

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (d/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/22	0.0432%	\$ 3,421,454	\$ 100,382	\$ 3,521,836	\$ 3,230,800	105.9%	70.5%
	6/30/21	0.0433%	1,849,104	56,566	1,905,670	3,131,693	59.0%	87.0%
	6/30/20	0.0485%	2,907,797	89,674	2,997,471	3,398,760	85.6%	79.1%
	6/30/19	0.0457%	2,526,651	78,497	2,605,148	3,256,291	77.6%	80.2%
	6/30/18	0.0458%	2,540,796	83,339	2,624,135	3,087,592	82.3%	79.5%
	6/30/17	0.0473%	3,019,601	37,971	3,057,572	3,057,585	98.8%	75.9%
	6/30/16	0.0469%	3,808,047	49,721	3,857,768	2,933,615	129.8%	68.9%
	6/30/15	0.0447%	2,316,586	N/A	2,316,586	2,472,253	93.7%	78.2%
	6/30/14	0.0442%	2,076,295	N/A	2,076,295	2,319,607	89.5%	78.8%
TRA	6/30/22	0.1745%	\$ 13,973,037	\$ 1,035,999	\$ 15,009,036	\$ 10,817,146	129.2%	76.2%
	6/30/21	0.1775%	7,767,931	655,240	8,423,171	10,698,473	72.6%	86.6%
	6/30/20	0.1798%	13,283,865	1,113,410	14,397,275	10,564,159	125.7%	75.5%
	6/30/19	0.1738%	11,078,048	980,473	12,058,521	9,941,330	111.4%	78.1%
	6/30/18	0.1738%	10,918,248	1,025,996	11,944,244	9,717,935	112.4%	78.1%
	6/30/17	0.1776%	35,452,182	3,427,611	38,879,793	9,563,987	370.7%	51.6%
	6/30/16	0.1763%	42,051,757	4,220,988	46,272,745	9,233,733	455.4%	44.9%
	6/30/15	0.1760%	10,887,341	1,335,517	12,222,858	8,960,120	121.5%	76.8%
	6/30/14	0.1856%	8,552,314	601,775	9,154,089	8,567,861	99.8%	81.5%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 717
Jordan, Minnesota
Schedule of Employer's Contributions
Year Ended June 30, 2023

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/23	\$ 259,323	\$ 259,323	\$ -	\$ 3,457,640	7.5%
	6/30/22	242,310	242,310	-	3,230,800	7.5%
	6/30/21	234,877	234,877	-	3,131,693	7.5%
	6/30/20	254,907	254,907	-	3,398,760	7.5%
	6/30/19	243,010	243,010	-	3,256,291	7.5%
	6/30/18	230,462	230,462	-	3,087,592	7.5%
	6/30/17	228,238	228,238	-	3,057,585	7.5%
	6/30/16	218,931	218,931	-	2,933,615	7.5%
	6/30/15	185,419	185,419	-	2,472,253	7.5%
TRA	6/30/23	\$ 944,702	\$ 944,702	\$ -	\$ 10,984,907	8.6%
	6/30/22	902,150	902,150	-	10,817,146	8.3%
	6/30/21	863,547	863,547	-	10,698,473	8.1%
	6/30/20	836,615	836,615	-	10,564,159	7.9%
	6/30/19	767,563	767,563	-	9,941,330	7.7%
	6/30/18	725,242	725,242	-	9,717,935	7.5%
	6/30/17	717,299	717,299	-	9,563,987	7.5%
	6/30/16	692,530	692,530	-	9,233,733	7.5%
	6/30/15	672,009	672,009	-	8,960,120	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**PERA****2022 Changes**

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes**Changes in Actuarial Assumptions**

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes**Changes in Actuarial Assumptions**

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes**Changes in Actuarial Assumptions**

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

TRA**2022 Changes****Changes in Actuarial Assumptions**

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes**Changes in Actuarial Assumptions**

- The investment return assumption was changed from 7.50 percent to 7.00 percent

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of benefit terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA Comprehensive Annual Financial Report.

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org>.



Supplementary Information
June 30, 2023

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota
Schedule of Changes in UFARS Fund Balances: General Fund
June 30, 2023

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 206,937	\$ (45,708)	\$ 161,229
Restricted for student activities	71,401	6,740	78,141
Restricted for scholarships	139,715	(235)	139,480
Restricted for staff development	66,791	(40,370)	26,421
Restricted for operating capital	36,269	(36,269)	-
Restricted for area learning center	66,987	67,852	134,839
Restricted for gifted and talented	52,646	5,596	58,242
Restricted for safe schools	10,440	349	10,789
Restricted for basic skills extended time	22,663	(16,474)	6,189
Restricted for long-term facilities maintenance	587,972	358,763	946,735
Restricted for medical assistance	106,660	(8,663)	97,997
Unassigned	<u>2,820,750</u>	<u>23,981</u>	<u>2,844,731</u>
	<u>\$ 4,189,231</u>	<u>\$ 315,562</u>	<u>\$ 4,504,793</u>

Independent School District No. 717
Jordan, Minnesota
Combining Balance Sheet – Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Assets				
Cash and investments	\$ 617,275	\$ 522,414	\$ 1,261,948	\$ 2,401,637
Receivables				
Current property taxes	-	65,291	-	65,291
Delinquent property taxes	-	880	-	880
Accounts	1,798	35,800	-	37,598
Interest	-	-	9,001	9,001
Due from Minnesota Department of Education	-	14,474	-	14,474
Due from Federal through Minnesota Department of Education	-	6,875	-	6,875
Inventories	24,605	-	-	24,605
Prepaid items	-	2,829	-	2,829
Total assets	<u>\$ 643,678</u>	<u>\$ 648,563</u>	<u>\$ 1,270,949</u>	<u>\$ 2,563,190</u>
Liabilities				
Salaries payable	\$ 2,075	\$ 35,057	\$ -	\$ 37,132
Accounts payable	12,405	41,418	454,953	508,776
Due to other governmental units	-	863	-	863
Payroll deductions	-	1,676	-	1,676
Unearned revenue	3,523	42,230	-	45,753
Total liabilities	<u>18,003</u>	<u>121,244</u>	<u>454,953</u>	<u>594,200</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	880	-	880
Property taxes levied for subsequent year	-	137,229	-	137,229
Total deferred inflows of resources	<u>-</u>	<u>138,109</u>	<u>-</u>	<u>138,109</u>
Fund Balances				
Nonspendable	24,605	2,829	-	27,434
Restricted	601,070	386,381	815,996	1,803,447
Total fund balances	<u>625,675</u>	<u>389,210</u>	<u>815,996</u>	<u>1,830,881</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 643,678</u>	<u>\$ 648,563</u>	<u>\$ 1,270,949</u>	<u>\$ 2,563,190</u>

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Revenues				
Local property tax levies	\$ -	\$ 135,434	\$ -	\$ 135,434
Other local and county sources	545,078	1,459,096	-	2,004,174
State sources	42,579	152,981	-	195,560
Federal sources	593,061	13,416	-	606,477
Interest earnings	18,128	11,817	39,375	69,320
Total revenues	1,198,846	1,772,744	39,375	3,010,965
Expenditures				
Community education and services	-	1,764,745	-	1,764,745
Pupil support services	1,098,280	-	-	1,098,280
Sites and buildings	-	-	35,548	35,548
Capital Outlay	-	-	607,395	607,395
Debt service:				
Principal	-	2,714	-	2,714
Interest and fiscal charges	-	882	-	882
Total expenditures	1,098,280	1,768,341	642,943	3,509,564
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,566	4,403	(603,568)	(498,599)
Other Financing Sources				
Bonds issued	-	-	1,399,000	1,399,000
Net Change in Fund Balances	100,566	4,403	795,432	900,401
Fund Balances - Beginning	525,109	384,807	20,564	930,480
Fund Balances - Ending	\$ 625,675	\$ 389,210	\$ 815,996	\$ 1,830,881



Other Supplementary Information
June 30, 2023

Independent School District No. 717

Jordan, Minnesota

Independent School District No. 717
Jordan, Minnesota

Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2023

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$23,379,991	<u>\$23,379,992</u>	<u>(\$1)</u>	Total Revenue	\$39,375	<u>\$39,375</u>	<u>\$0</u>
Total Expenditures	\$23,071,034	<u>\$23,071,035</u>	<u>(\$1)</u>	Total Expenditures	\$642,943	<u>\$642,942</u>	<u>\$1</u>
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$161,229	<u>\$161,229</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$78,141	<u>\$78,141</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$139,480	<u>\$139,480</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$26,421	<u>\$26,421</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$815,996	<u>\$815,997</u>	<u>(\$1)</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$3,563,421	<u>\$3,563,420</u>	<u>\$1</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$31,753,188	<u>\$31,753,187</u>	<u>\$1</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$134,839	<u>\$134,840</u>	<u>(\$1)</u>	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$58,242	<u>\$58,242</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$725,482	<u>\$725,482</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$10,789	<u>\$10,789</u>	<u>\$0</u>	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.59 Basic Skills Extended Time	\$6,189	<u>\$6,189</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$946,735	<u>\$946,735</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$97,997	<u>\$97,997</u>	<u>\$0</u>	Restricted / Reserved:			
Restricted:				4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>				
Committed:				18 CUSTODIAL			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$16,761	<u>\$16,761</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$14,290	<u>\$14,290</u>	<u>\$0</u>
Assigned:				Restricted / Reserved:			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$2,844,731	<u>\$2,844,729</u>	<u>\$2</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
				4.64 Restricted Fund Balance	\$4,217	<u>\$4,217</u>	<u>\$0</u>
02 FOOD SERVICES							
Total Revenue	\$1,198,846	<u>\$1,198,846</u>	<u>\$0</u>	20 INTERNAL SERVICE			
Total Expenditures	\$1,098,280	<u>\$1,098,280</u>	<u>\$0</u>	Total Revenue	\$139,594	<u>\$139,594</u>	<u>\$0</u>
Non Spendable:				Total Expenditures	\$125,659	<u>\$125,659</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$24,605	<u>\$24,605</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$66,578	<u>\$66,578</u>	<u>\$0</u>
Restricted / Reserved:							
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
Restricted:				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$601,070	<u>\$601,070</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$1,772,744	<u>\$1,772,744</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,768,341	<u>\$1,768,341</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$2,829	<u>\$2,829</u>	<u>\$0</u>				
Restricted / Reserved:				47 OPEB DEBT SERVICE			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$13,783	<u>\$13,782</u>	<u>\$1</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$86,755	<u>\$86,755</u>	<u>\$0</u>	Non Spendable:			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$220,258	<u>\$220,258</u>	<u>\$0</u>	Restricted:			
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted:				Unassigned:			
4.64 Restricted Fund Balance	\$65,585	<u>\$65,585</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				

Independent School District No. 717
Jordan, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/	Agency or Pass-Through Number	Expenditures
<u>Department of Agriculture</u>			
Child Nutrition Cluster			
Noncash assistance:			
Commodities Received (non-cash)	10.555	01-717-000	\$ 90,438
Cash assistance			
School Breakfast Program	10.553	01-717-000	45,437
National School Lunch Program	10.555	01-717-000	398,732
COVID-19 Supply Chain Assistance	10.555C	01-717-000	<u>58,454</u>
Total Child Nutrition Cluster			\$ 593,061
COVID-19 Pandemic Electronic Benefits Transfer	10.649C	01-717-000	<u>628</u>
Total Department of Agriculture			\$ 593,689
<u>Department of Treasury</u>			
<i>Passed through the Minnesota Department of Education</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund - Enrollment Loss	21.027C	01-717-000	17,280
COVID-19 ARP Summer Academic Enrichment and Mental Health	21.027C	01-717-000	20,331
COVID-19 Coronavirus State and Local Fiscal Recovery Fund - Summer Preschool	21.027C	01-717-000	<u>13,416</u>
Total 21.027			<u>51,027</u>
Total Department of Treasury			51,027
<u>Department of Education</u>			
<i>Passed through the Minnesota Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	01-717-000	94,104
Special Education Grants for Infants and Families	84.181	01-717-000	8,901
English Language Acquisition Grants	84.365	01-717-000	34,468
Improving Teacher Quality State Grants	84.367	01-717-000	29,158
Student Support and Academic Enrichment Grants	84.424	01-717-000	10,000
COVID-19 Education Stabilization Fund - ESSER II	84.425D	01-717-000	29,443
COVID-19 Education Stabilization Fund - Expanded Summer Learning	84.425D	01-717-000	51,675
COVID-19 Education Stabilization Fund - ESSER III	84.425U	01-717-000	278,317
COVID-19 Education Stabilization Fund - Governor's Discretionary Funds	84.425U	01-717-000	<u>62,638</u>
Total 84.425			422,073
<i>Passed through cooperative</i>			
Special Education Cluster			
Special Education Grants to States	84.027	01-717-000	335,610
Special Education Grants to States	84.027XC	01-717-000	17,358
Special Education Preschool Grants	84.173	01-717-000	7,421
Special Education Preschool Grants	84.173XC	01-717-000	<u>7,757</u>
Total for Special Education Cluster			368,146
<i>Passed Through Southwest Metro Intermediate District</i>			
Career and Technical Education	84.048	41-1295656	<u>13,797</u>
Total Department of Education			980,647
<u>Department of Health and Human Services</u>			
<i>Passed through the Minnesota Department of Education</i>			
COVID-19 Epidemiology and Lab Capacity for Infection Diseases	93.323	01-717-000	<u>244,979</u>
Total Federal Financial Assistance			<u>\$ 1,870,342</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position or fund balance of the District.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 - Food Distribution

Nonmonetary assistance is reported in the schedule of the fair market value of the commodities received and disbursed. As of the year ended June 30, 2023, the organization had received food commodities totaling \$90,438 of inventory.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board of
Independent School District No. 717
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 ("the District"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota
November 27, 2023



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 717
Jordan, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 717 (the District's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mankato, Minnesota
November 27, 2023



Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 717
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 ("the District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Mankato, Minnesota
November 27, 2023

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
Child Nutrition Cluster	10.553, 10.555
COVID-19 Education Stabilization Fund	84.425
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2023-001 Preparation of Financial Statements
Material Weakness

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements including the accompanying notes to the financial statements, and required supplementary budgetary comparison information.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials: There are no disagreements with this finding.

Section III – Federal Award Findings and Questioned Costs

None reported

Section IV – Minnesota Legal Compliance Findings

None reported